



# City of Seattle Mid-Year Budget Snapshot

Mayor Mike McGinn and Budget Director Beth Goldberg  
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# General Fund Budget Snapshot

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## ▶ Good News

- ▶ 2010 ended with a positive yearend unreserved balance of \$2.2 million, \$2.1 million better than expected
- ▶ This is particularly good news considering that 2009 ended with a balance of *negative* \$2.4 million, or nearly \$3.5 million worse than expected
- ▶ This reversal reflects:
  - ▶ A more stable economy in the waning months of 2010
  - ▶ The success of the 2010 mid-year reduction process
  - ▶ Proactive financial management in uncertain times

# 2011: Multiple Causes for Concern

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- ▶ Driven less by the revenue forecast and more by internal policy and external funding pressures – all of which have emerged *subsequent* to the closure of a \$67 million shortfall as part of the adoption of the 2011 budget
  - ▶ Internal Pressures
    - ▶ Parking Meter Revenues
  - ▶ Local Revenue Risk
    - ▶ Utility Tax and Other Revenues
  - ▶ External Pressures
    - ▶ State Changes
    - ▶ CDBG Funding
    - ▶ Public Defense Caseload Standards

# 2011: Multiple Causes for Concern

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- ▶ The situation – particularly with the external pressures – remains very uncertain and subject to change
  - ▶ State and Federal budgets not adopted
  - ▶ Economy, while more stable, remains fragile
- ▶ While *not* a worst case scenario, the potential scope and magnitude of these pressures, which are collectively estimated at between *\$18 and \$19 million*, suggest that undertaking a mid-year reduction effort now is prudent
- ▶ After taking into account better-than-expected General Fund balances, scope of problem is *\$16-\$17 million*

# Summary of Potential General Fund Impacts



<b>Amounts in \$1,000s</b>	<b>2010 Previous Estimate</b>	<b>2010 Actuals</b>	<b>2011 Adopted</b>	<b>2011 Revised</b>	<b>2011 Change from Adopted</b>
Beginning Unreserved Fund Balance*	(2,424)	(2,424)	100	2,243	2,144
Total Revenues	897,447	915,544	897,416	897,416	
Total Expenditures and Change in Reserves	(894,923)	(910,876)	(894,964)	(894,964)	
Parking Meter Rate Changes				(3,500)	(3,500)
Local Revenue Risk - Utility & Other Taxes				(4,000)	(4,000)
Preliminary Estimate: State Changes				(2,000)	(2,000)
Federal: Potential CDBG Reductions				(2,800)	(2,800)
Risk: Change in Public Defense Standards				(333)	(333)
Other (e.g. corrections to the 2011 budget, carryforward and supplemental requests)				(5,635)	(5,635)
<b>Ending Unreserved Balance</b>	<b>100</b>	<b>2,243</b>	<b>2,552</b>	<b>(13,573)</b>	<b>(16,124)</b>
* Available balance excludes policy reserves					
** Budgeted amounts do not include grant revenue or expenditures. 2010 Actuals do include grants.					

# Strategy for Allocating Mid-Year Reductions



- ▶ Virtually all General Fund-dependent departments will be assigned a uniform 3% reduction target
  - ▶ The Mayor will make prioritization decisions based on the reduction proposals submitted by departments
  - ▶ Actual reductions taken may not total 3% for all departments
- ▶ In addition, there are some departments facing budget challenges beyond the General Fund (e.g., SDOT) that will be addressed in the mid-year process
- ▶ Also, State cuts could have other programmatic impacts on the City (i.e., health and human services)
- ▶ The Mayor remains committed to preserving reserves
- ▶ Because these challenges are expected to persist into 2012, departments are asked to emphasize on-going budget reductions



# Timeline & Next Steps

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- ▶ Commence with a mid-year reduction process by the end of the week
  - ▶ Follows a similar schedule to last year
- ▶ Department proposals due to the City Budget Office (CBO) on April 29
- ▶ Budget decisions announced by early June with an implementation date of early July
- ▶ CBO will continue to closely monitor developments that could impact the scope of the problem and adjust reduction levels accordingly. Some key dates include:
  - ▶ **State budget:** House budget expected to be released this week; legislative session is schedule to conclude on April 24
  - ▶ **Federal budget:** Budget extension expires on April 8
  - ▶ **City revenue and budget forecast:** April 18



# Looking Ahead

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- ▶ **Expect Challenges to Persist into 2012**
  - ▶ Any State and Federal budget impacts are likely to be on-going
- ▶ **2011 Budget identified a number of funding pressures the City would need to address for 2012 and beyond, including:**
  - ▶ Asset Preservation
  - ▶ Retirement Costs
  - ▶ Healthcare Costs
  - ▶ ADA Obligations
  - ▶ Capital and Technology Needs
  - ▶ Replenishing Reserves
- ▶ **To address these challenges the Mayor will be exploring how to prioritize line of business and re-organize how we deliver services**

# Questions?

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